

# **SENATE FINANCE COMMITTEE**

## **H.R. 3768, KATRINA TAX RELIEF ACT OF 2005**

### **PROTECTION FOR LOW-INCOME WORKING FAMILIES**

- Helps ensure low-income working families don't lose deductions, credits or filing status because of dislocations due to Hurricane Katrina.
- Allows low-income working families the option to use prior year's income for refundable earned income tax credit and child tax credit.

### **PRESERVING CASH FLOW**

- Protects families from being taxed on debt forgiven by commercial lenders.
- Permits taxpayers to access their retirement savings accounts without penalty and allows 3-year averaging and recontribution of withdrawals.

### **EMPLOYMENT**

- Provides a tax credit to employers who hire hurricane victims.
- Provides a tax credit to employers in the disaster zone who continue to pay workers and/or maintain employee health insurance even though the business is shut down.

### **HOUSING**

- Defrays costs incurred by families housing Katrina victims for at least 60 days with a \$500 deduction per victim, capped at \$2,000.
- Encourages home ownership in the disaster area by allowing greater access to below-market interest rate mortgages funded from tax-exempt bonds.
- Allows 5 years to replace tax-free damaged or destroyed property in the disaster area.

### **CHARITABLE GIVING**

- Encourages donations of food to relief organizations by extending the deduction available to producers and sellers of food to all businesses.
- Encourages donations of books to schools impacted by Katrina.
- Relaxes the contribution limits for contributions from corporations and individuals to charitable organizations.
- Increases the mileage rate for calculating charitable contribution mileage deduction for Katrina related activities.
- Reimbursements for charitable mileage up to the standard business mileage rate are not taxable income for Katrina related activities.

### **TAXPAYER PROTECTION AND ASSISTANCE**

- Extends the filing deadlines and waives penalties and interest that would have applied on income, estate and gift, employment and excise taxes for at least six months.